

*Chrono**Fed Pers*OCA 86-2803
13 August 1986

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MEMORANDUM FOR THE RECORD

SUBJECT: Update on the Three Year Recovery Rule

1. Today I spoke with Catherine Porter on the staff of Senator Chafee (R., RI). She assists him on the Tax Reform bill on which he is one of the Senate conferees. She said that Senator Chafee is the only one of the conferees to speak out for federal employees on the three year recovery rule. In fact, the House conferees are insisting that the effective date of the repeal should be retroactive to 1 July 1986 as in their version of the bill. The Senate has refused to go along with this, but the Senate might shift its position from an effective date of 1 January 1988 with a two year phase out to 1 January 1987 with no phase out period. She cited the lack of any support for federal employees as the reason for the possible shift in the Senate position.

2. The conferees are deadlocked at this time, as reported in the press and Porter was not sanguine about a breakthrough. She stated that the only reason that she talked to me was because the impasse gave her a breather and that both staff and members are deluged with hundreds of calls and letters from people with interest in the tax bill. In her view the only way anyone could possibly hope to influence the outcome favorably for federal employees would be to know Chairman Rostenkowski well enough to make a personal appeal to him not to make the repeal retroactive.

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